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SUBJECT: SECRETARY DISCUSSES FTA WITH MINISTER OF INDUSTRY
AND COMMERCE FAKHRO

1. (SBU) Summary. Minister of Industry and Commerce Hassan Fakhro told visiting Commerce Secretary Gutierrez February 27 that the Cabinet would forward most IPR implementing legislation for the FTA to the National Assembly in the coming days, and that the copyright legislation should follow soon after. He was optimistic that the implementing legislation would be passed in the coming weeks. The next step, he stated, will be to launch an aggressive promotional campaign to American companies, which will include trade missions and highlight the advantages and incentives that Bahrain offers. He hoped Bahrain's textile industry will adapt and benefit from the FTA. Bahrain, with the help of Arthur D. Little, is developing an industrial strategy for the next 20 years. Fakhro discussed GCC economic integration, including the goal of currency unification by 2010. He said that if the GCC had tried to negotiate an FTA with the US as a group, progress would have been much slower, citing the continuing negotiations (12 years so far) that have been taking place on a GCC-EU FTA. He said that King Hamad was the true "father of the FTA" in Bahrain. End summary.

2. (SBU) During his February 26-28 visit to Bahrain to headline a U.S.-co-sponsored conference on "Free Trade in the Middle East," Secretary of Commerce Carlos Gutierrez met with Minister of Industry and Commerce Dr. Hassan Fakhro to discuss the U.S.-Bahrain Free Trade Agreement and other trade-related issues. Minister Fakhro opened the meeting by thanking the Secretary for his remarks at the conference supporting Bahrain's reform efforts and highlighting the benefits of an FTA. He also thanked the Commerce Department for its help to Bahrain in helping develop its commercial law (financed under a MEPI grant).

3. (SBU) Secretary Gutierrez in turn thanked the Minister for Bahrain's support in organizing the Free Trade Conference. Noting our hope that U.S. and Bahrain companies will be able to benefit from the FTA soon, the Secretary asked about the status of the IPR implementing legislation, which must be passed before the FTA can take effect. Fakhro responded that "it is almost in the bag." He said that the Cabinet's legal committee approved the legislation this week, and passed it back to the Cabinet. He said that the Cabinet will forward the legislation (all except the copyright legislation, which is still being finalized) to the National Assembly in the coming days, and that he expects it to be passed in a few weeks. He said that Bahrain would still like to implement the FTA by April 1, but put the chances of getting it passed in time for that at 50/50.

4. (SBU) Asked about the copyright legislation, Fakhro said that he expected it to be sent to the Cabinet "very shortly." He noted that it was the Ministry of Information, not Industry and Commerce, that had responsibility for the copyright legislation.

5. (SBU) Fakhro said that, after the FTA comes into effect, the next challenge will be to promote the FTA and to more effectively highlight the advantages and incentives that Bahrain offers to American companies. Bahrain needs to develop a campaign that especially targets the U.S. A key will be to get the private sector involved. One element of the campaign will be trade missions to the U.S. He noted that Bahrain has sent a couple of trade missions in the past, but needs to do this more aggressively now. Secretary Gutierrez welcomed this, and said that the Department of Commerce would be glad to help to make Bahraini trade missions successful.

6. (SBU) Fakhro said that one sector he, as Minister of Industry and Commerce, hopes to promote is textiles. Noting that Jordanian Minister of Trade and Industry Sharif Zubi, in his speech that morning at the Free Trade Conference, had highlighted how Jordan's textile industry had benefited from its FTA, Fakhro stated that he wanted to explore ways to restructure Bahrain's textile industry to move upscale and in line with tastes in the U.S. He said that Bahrain's textile industry currently employs 12,000 people (25 percent of whom are Bahraini) and exports \$300 million in textile goods, mostly to the U.S. Bahrain recognizes that its textile

industry will not be able to compete with China or India, but hopes that, with the FTA, it can be competitive if it upgrades its production.

17. (SBU) More broadly, Fakhro stated, Bahrain is developing an industrial strategy for the next 20 years, employing the services of Arthur D. Little as consultant. Asked what industries Bahrain would focus on, Fakhro replied that the emphasis would be on developing small and medium-sized industries. He said that the government is trying to expand the role of the private sector, even in areas that have traditionally been run by state-controlled companies, such as oil and petrochemicals. If it works to have the private sector run these industries in the U.S., he said, why not for us?

18. (SBU) The Secretary asked Fakhro about progress towards economic integration within the GCC. Fakhro replied that the GCC countries have come a long way in this endeavor, but still have a lot to achieve. The currencies are expected to be unified in 2010. This move will not have a major immediate impact, as all currencies are currently pegged to the dollar and so are in effect merged. But it will lead to a unified monetary policy and perhaps in time a unified fiscal policy. The GCC customs union will also hopefully be finished before too long, which will lead to a completely free transfer of goods, services and people.

19. (SBU) The Secretary asked if there had been consideration of negotiating an GCC-wide FTA with the U.S., instead of one country at a time. Fakhro said that negotiating as a region would have slowed the process considerably, citing the 12 years that the GCC has been negotiating a FTA with the EU as an example. Some countries (read: Saudi Arabia) only just now joined the WTO and were not ready for an FTA. Once Bahrain knew that there was a possibility of negotiating an FTA with the U.S., it did not want to wait years for it to be completed.

110. (SBU) Noting that the Secretary would shortly meet King Hamad, Fakhro said that the King has been the "instigator and guardian" of Bahrain's decision to negotiate an FTA with the U.S. Every time a problem or issue came up, he pushed to resolve it. He is a great friend of the U.S., Fakhro stated, and in Bahrain the "father of the FTA."

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